Competition
and Cooperation
Conversations with
Nobelists about Economics
and Political Science

James E. Alt, Margaret Levi,
and Elinor Ostrom
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SOCIAL CAPITAL

Russell Hardin

Although the term "social capital" itself is a recent coinage, concern with the things that have been discussed under that label has been long-standing in sociological theory. James Coleman has been the most influential proponent of viewing these as systematically related. In his first treatment of social capital (Coleman 1988, 898; see also Coleman 1990, 302–4), he discussed it as follows:

Social capital is defined by its function. It is not a single entity but a variety of different entities, with two elements in common: they all consist of some aspect of social structures, and they facilitate certain actions of actors—whether persons or corporate actors—within the structure. Like other forms of capital, including human capital, social capital is not completely fungible but may be specific to certain activities. A given form of social capital that is valuable in facilitating certain actions may be useless or even harmful for others.

In his applications of the idea of social capital, Coleman considers the lower-level structures of ongoing relationships, family, work groups, and so forth (Coleman 1990, 300–21, 361–63, 590–93, 595–96). These structures enable us, as individuals or corporate actors, to do many things, including cooperate successfully with each other in manifold ways.

Perhaps the most surprising exponent of a notion of social capital is Gary Becker, who says that social capital "incorporates the influence of past actions by peers and others in an individual's social network and control system" into "preferences or tastes." He pairs it with personal capital, which includes "the relevant past consumption and other personal experiences that affect current and future utilities" (1996, 4). Like Coleman, Becker is concerned with using social capital to help explain the relation of individual values and actions to collective or structural outcomes, but it has this effect through the utility function.

Other recent users of the term typically do not define it specifically but rather refer to instances of it or give very general characterizations of it. By social capital, Robert Putnam (1995, 665–66) means "social connections and the attendant norms and trust" that are "features of social life... that enable participants to act together more effectively to pursue shared objectives." John Brehm and Wendy Rahn (1997, 999) define social capital as "the web of cooperative relationships between citizens that facilitates resolution of collective action problems." Francis Fukuyama shares this general view with Brehm, Rahn, and Putnam. Of these scholars, he gives the most general statement of what social capital is: "the ability of people to work together for common purposes in groups and organizations" (Fukuyama 1995, 10).

For yet a third vision of the workings of social capital, one way to read the burgeoning literature on the relational theory of contract (and other) law is as an account of the ways social capital can enable us to cooperate without the use of the sanctions of the law as much more than a backdrop to protect us against the worst abuses we might experience (Macaulay 1963; Macneil 1980; see also Williamson 1985). Hence, social capital (norms and relationships) can be used to displace what might be considered another form of capital (legal institutions) that is putatively less effective or efficient. Similarly, in much of the neo-institutional account of the success of firms, the focus is on the informal devices of social capital that displace or augment the formal devices of hierarchical control (Williamson 1975, 1981).

For the political scientists Brehm, Fukuyama, Putnam, Rahn, and others, the interest in social capital is motivated primarily by the linkage between levels of social capital and collective outcomes; high levels of social capital appear to be crucial for such measures of collective well-being as economic development, effective political institutions, low crime rates, and lower incidences of other social problems such as teen pregnancy and delinquency. (Brehm and Rahn 1997, 1000)

They focus on trust, norms, and networks, all of which seem to be at the individual level. But for them, the central concern is with how individual-level factors facilitate the workings of institutions, including the whole of government. Hence, at least initially, the view of Putnam and these others is strikingly different from that expressed by Coleman in the passage quoted earlier. They tend to reverse Coleman's characterization, in which various instances of social capital "facilitate certain actions of actors." Although he also mentions corporate actors as beneficiaries of social capital, in Coleman's actual applications of the notion, the function of social capital is to enable individuals and groups of individuals to achieve things they could not otherwise achieve so well, as in the examples he gives of student political groups, doctor-patient relations, neighborhood child care, and a Cairo bazaar (Coleman 1990, 302–4).

For the political scientists, it is social capital at the individual level that allows groups and societies to manage at the highest collective level. In particular, individual-level social capital contributes to the working of the institutions of government and the performance of the economy. The causal relation is a bit loose, and indeed, it is chiefly merely asserted from various correlations. The main correlation for Putnam and others who are worried about the possible decline of government effectiveness over time is a putative and simultaneous decline in so-called generalised trust and in trusting government over the past few decades in the United States. The main, somewhat loose correlation for Fukuyama is between cross-societal differences in general trusting and in economic performance.

Causally, the main difference between these political scientists and Coleman is the direction of their causal arrows. Coleman's arrow generally goes from the level of social relations (which ground social capital) to the individual level. For the political scientists, the causal arrow goes from the individual level to the institutional level. The difference can be exemplified by the nature of the concern with trust in
the two visions. For Coleman, various relationships enable individuals to trust each other; for the others, individual-level trust enables institutions to work well.

Hence, under the rubric of social capital, we seemingly cover several quite varied and often amorphous *causal* relations: the effects of lower-level social interactions that facilitate individual achievements for Coleman; between individual-level trust and social institutions and other collective-level outcomes in the recent work of political scientists; and the displacement of some institutional-level devices by individual-level relationships in the relational theory of law. Still others see social capital at work in facilitating the relations between organizations (see, for example, Leeuw 1997, 484). Notably missing from the list are the *effects of institutions on lower-level interactions*.

Despite the variations, this recent wave of work on social capital may be one of the most interesting and potentially most important moves in recent social thought. And its multifaceted and possibly even incoherent character might, if anything, reflect nothing more than the usual effort to grapple with a new idea before getting it nailed down and making it useful in our explanations. I think, however, that much of the variation in the discussions can be clarified easily and that, if it is, the concepts at issue become much more useful to our understanding of relevant causal effects.

The conceptual difference between Becker and the others is substantial. For Becker, social capital works at the level of the individual, so much so that it can be incorporated into the individual's utility function, and its *causal impact is on the individual*. Social capital is the influences that others have on shaping my tastes. My tastes then determine the degree of pleasure or other welfare benefit I receive from consuming various things. Some might prefer not to call Becker's social capital an instance of capital because, traditionally, the chief role of capital is to help produce goods. But there is no point in merely producing goods—the point is to produce goods that contribute to welfare. Becker's social and personal capital contribute to welfare by affecting the level of benefit one gets from consuming particular goods.

The titles of works by Brehm and Rahn (1997), Fukuyama (1995), and Putnam (1993) suggest that, in their view, levels of social capital have a strong causal role in the general levels of governmental and economic performance. But the variant visions of social capital may be sufficiently diverse as to permit some aspects of such capital to go into the utility function as though they directly yield welfare rather than merely causally contribute to the production of other things that yield welfare. For example, my relationship with you might be a direct good to me, although it might also facilitate my achievement of many things I value. What makes it a good to me largely also makes it facilitative, so that it has a role both in my utility function and in the category of those things that produce utility for me. But the fact that some bit of my social capital fits in this way in my utility function is not a concern of Coleman or the political scientists, and its role there is not that which Becker envisions.

In this essay, I distinguish Becker's social capital from the various things Coleman and the political scientists call social capital. I use the term "interpersonal capital" for the latter. That is a more informative label for what Coleman, Putnam, and others mean: the relationships with others that enable us to do various things. Whether particular factors other than merely rich relationships, such as norms or trust, belong in interpersonal capital turns on explanatory or causal understandings of such factors. Including them merely by definition makes using the concept relatively messy when, in Coleman's case, that concept is used to explain trust and, in the case of Putnam and others, it is supposed to include trust.

One might prefer other labels for interpersonal capital, such as "relational" or "network" capital, which also capture its sense better than the relatively amorphous term "social capital." That amorphous term is more fitting for the social norms, expectations, and so forth that Becker's analysis focuses on, because these things have the same causal function in Becker's account. But the labels per se do not matter, and no doubt many of these authors will continue to lay claim to the term "social capital" and will continue to mean quite different things by it. What matters is how the various conceptions fit into explaining behavior and social outcomes.

To make sense of Becker's social capital, I will first fit it into utility theory as the theory has developed over the past couple of centuries. Putting Becker's social and personal capital into the utility function is a complex move whose significance and even meaning might not be readily apparent. It should come as no surprise that Becker is analytically the most acute contributor to this literature. A main thesis of what follows, however, is that inclusion of social and personal capital in human capital (Becker 1996, 4) is wrong in an important sense. Or at least there is good analytical reason to separate the human capital on which Becker has done much of the foundational work (Becker 1964/1975) from his social and personal capital. The reason is related to the claim that what Putnam and others call social capital is not Becker's social capital.

**THE UTILITY FUNCTION**

Utility theory has developed remarkably from its early years in economics, when, as in the quotidian usage of the word, utility was taken to be a property of objects. This quotidian view was expressed well by Jeremy Bentham, for whom utility was the central moral concept. His opening definition in his most influential work is: "By utility is meant that property in any object, whereby it tends to produce benefit, advantage, pleasure, good, or happiness [or] to prevent the happening of mischief, pain, evil, or unhappiness to the party whose interest is considered" (Bentham 1789/1970, 12; my emphasis).

Part of the problem with the very term "utility" is that it derives indirectly from the Latin utilitas, meaning useful. Bentham was rather like a dictionary run wild, a lunatic for definition, who defined terms within definitions of terms and with his own inventions of the linguistic derivations of words. As a definitionalist, he would have found it difficult to escape the sense of utility as useful even though, in adopting utility as the foundation of his moral theory, he distorted his own program. Under his influence, a modern dictionary defines utility first as "usefulness" and then makes the seemingly illicit or incoherent move of adding the meanings "the power to satisfy human wants" and "happiness," which is essentially satisfied wants. From meaning "the power to satisfy wants" the term moves to meaning the satisfaction itself. Such creeping evolutions in meaning are often creepy, as in this case.

From at least Adam Smith forward, the traditional view that utility inheres in objects rather than in the use people make of them is contrary to good sense. It is only a short conceptual step from Smith's demand and supply view of price to the view that utility is in the person's valuing rather than in what is valued. Bentham's
opening definition of utility is even contrary to the utilitarian program that he helped to initiate with the book that defines utility so badly. That program, after all, is based on the "benefit, advantage, pleasure, good, or happiness" of the individual, not on the value of the objects the individual consumes or uses. Bentham, unfortunately, has burdened us with his terminology: to untutored ears, his moral theory, "utilitarianism," is often heard as pragmatic or crude self-interest. His actual theory should better be labeled "welfarism" or some other relevant term, because his actual interest was in the panoply of welfarist notions in his "benefit, advantage, pleasure, good, or happiness."

Hence, Bentham by himself represented the bifurcation of economic theory into two contrary lines. One of these was the line that focused on the value inherent in objects, which ended with the dismal labor theory of value of Karl Marx, a theory that wrecked much of the work of one of the otherwise greatest minds of his century. The other is the line that focused on the value people get out of using or consuming objects and out of other activities, which is still in development today in modern utility theory, although many modern writers seem uncomfortable with the term "utility" and often eliminate it and speak only of "preferences."

The utility function today often has an abstract aura. Various items are included in it, and its functional form is commonly left unspecified. Recall that Becker includes personal and social capital in the individual's utility function. It is striking that he did not do this with his earlier, extremely influential account of human capital, such as in skills and training (Becker 1964/1975), although he says of social and personal capital that they are merely part of human capital (1996, 4). Although human capital clearly contributes to utility—in the causal sense discussed earlier—Becker did not make it simply a part of the utility function.

I think Becker's earlier decision not to put human capital in the utility function was conceptually correct, and on some accounts of social capital, it would therefore seem similarly correct to exclude social capital from the utility function, even though it obviously contributes causally to those things that are in the utility function. Becker (1996, 5) says that conceiving the utility function without social capital in it and without specific goods, but only with their effects on welfare, would be a "more fundamental approach," in which utility does not depend directly on goods and consumer capital stocks, but only on household-produced "commodities," such as health, social standing and reputation, and pleasures of the senses. The production of these commodities in turn depends on goods, consumer capital, abilities, and other variables. The utility at any time is then only a function of commodities produced at the same time, and not of any commodities produced in the past. Nevertheless, the past, present, and future are still linked through the capital stocks that determine the productivity of commodity production. Present accumulation of personal and social capital changes household productivity in the future.

This is the "more fundamental approach" of Becker's earlier efforts to work out a "new theory of consumer behavior" with Robert Michael (Becker 1976, 131–49) and George Stigler (Becker 1996, 24–49). Becker uses this conception of the utility function to great effect in his work on the family (Becker 1981, 7–12). The point of the earlier efforts was to reduce the vast catalog of goods and services that might be arguments in an individual's utility function to a smaller set of beneficial effects on the household from its consumption of market goods and services in its own production of this smaller set of beneficial effects. These effects are the "health, social standing and reputation, and pleasures of the senses" mentioned earlier. This smaller set of effects would be far more stable over time than the set of particular consumptions that go into their production. Hence, focusing on this smaller set of beneficial effects fits Becker's desire to define stable utility functions that are useful in making predictions over time.

In his discussion of social capital, Becker appears to take an intermediate position between the standard form of the utility function, with its multifarious consumptions of ordinary goods and services, and this greatly simplified (more fundamental) utility function. He does so by entering social capital into the utility function along with consumption goods—this yields his "extended utility function"—to account for the conversion of goods by the individual or the household into their beneficial effects. This would make sense of his otherwise odd omission of traditional material capital, such as machinery, which is used in producing the ordinary goods that go into the utility function, thence to be further affected by social and personal capital to produce benefits.

This extended form of the utility function has the conspicuous benefit, at least abstractly, of representing the fact that my personal capital might produce very different benefits for me than your capital would produce for you from the same set of goods and services. (If we are in the same milieu, however, our social capital must be quite similar.) If we cannot represent that personal difference, then each person's (or household's) utility function must be entirely independently defined, with quite different functional relationships between all the inputs of goods and services. Furthermore, each individual's function has to change over time to accommodate changing personal and social capital. It is, of course, each individual's differences in personal and social capital that make the conversion of specific goods and services into beneficial effects idiosyncratic. One person's personal capital makes caviar a sensory treat worth its high price; another's makes caviar a source of revulsion. With Becker's more refined extended utility function, therefore, we can highlight such facts and more readily make sense of them, especially when we wish to predict behavior over time.

The more fundamental form and the extended form of the utility function that Becker uses in his analysis of social and personal capital are alternative ways to stabilize the utility function. The more fundamental approach that includes only the small set of beneficial effects of the consumption of a vast range of goods gives all individuals a similar utility function but quite different utility levels. In the more recent vocabulary of social and personal capital, the differences in utility levels depend on our variant holdings of personal and social capital.

In what follows I wish both to highlight several conceptual issues that tend to get in the way of coherent argument and to focus attention on causal issues. I organize discussion around the conceptual issues first; causal issues come up throughout these discussions, and I turn to them most specifically in the section on trust and interpersonal capital and in concluding remarks on the larger programs of all these scholars. It should become clear that what Becker wishes to explain is quite different from what the others here attempt to explain with their variant notions of social capital.
INTERESTS, CONSUMPTIONS, WELFARE

We speak, sometimes almost interchangeably, of interests, consumptions, and welfare, but these are conceptually quite different. Our interests are what put us in a position to consume, and consumption typically brings welfare. I have an interest in amassing resources, but resources are of no value per se—I want them only in order to be able to consume. Obviously, interests and consumptions trade off with each other. If I consume some things, I must expend some of my resources. Some social theorists argue that we should ground our normative theories in resources rather than in welfare, that certain conceptual problems in welfare make it finally an unworkable normative principle (Sen 1982, 353–69). Without resolving that issue, we may all readily grant that resources are means without intrinsic value and that what gives them instrumental value is the welfare they can bring us. In some contexts, however, resources can stand proxy for consumptions—as is commonly true, for example, when we speak of the interests of various groups that want higher income or profit.

Having resources is in our interest because they can be used to enable consumptions, which produce or have utility. Interests are therefore merely proxy for the utility of eventual consumptions. Interests are a useful proxy for alternative consumptions just because they constitute a far less varied category than do consumptions and because they are fungible across many possible consumptions (Hardin 1988, 200). This suggests that a utility function in interests alone would be even simpler than Becker’s fundamental form of the utility function. But the costs of consumptions need not be linearly related to their utility or the enjoyment of them, because of the ways Becker’s social and personal capital work on them, but also because price and benefit are not at all equivalent for any particular consumption and because there may be complementarities and substitutabilities among consumptions.

Using interests as a proxy for consumptions is therefore potentially misleading, although it might often be relatively sensible. The cardinal value theory of John von Neumann (von Neumann and Morgenstern 1944/1953, appendix) and Thomas Bayes (1764/1958) might apply to simply conceived interests but not so readily to a panoply of consumptions with their complementarities and substitutabilities. To put this the other way around, focusing on interests allows us, perhaps wrongly, to think cardinally, focusing on consumptions virtually forces us to think ordinarily. Becker’s fundamental form of the utility function takes these ordinal issues into account so that it is a better form than the even simpler form that includes only interests.

If we include all consumptions now and into the future in our choice function, as in Kenneth Arrow’s (1951/1963) fully determined states of affairs, interest drops out (see Hardin 1987). Note that interests and consumptions trade off against each other. It is against my interest to consume an opera tonight, but if I could not do such things, I would have little reason for living. It is the very point of my interest in various resources that they enable me to consume various things, and the point of consuming them is that consumption brings benefits or welfare. The Japanese novelist Yasunari Kawabata (1974, 49) elegantly frames the relation between interests and consumptions: “When one spends money, one remembers spending it even after it’s gone. But when one loses the money one has saved, the very thought of saving is a bitter memory.”

CAPITAL

We may distinguish several forms of capital, including financial, physical, human, interpersonal, and Becker’s social and personal capital. All of these contribute to our welfare because they enable us to purchase or produce goods for consumption or to turn those goods into welfare for ourselves and others. In traditional accounts, there were only financial and physical capital. Theodore Schultz (1963) and Becker (1964/1975) are the main early developers of the analysis of human capital, which is principally education and training that enable us to produce, just as physical capital in machines enables us to produce. Financial capital enables us to purchase other kinds of capital, to invest in other ways, or to purchase consumption goods directly. Physical and human capital have the quality that they do not convert into goods for consumption but do enable us to produce goods for consumption, in a sense, far more cheaply. Hence, for example, with a relevant machine and training I can produce far more of some good in any given period of time than I could without the machine or the training. An instructive way to put this claim is that such capital is often superadditive with other inputs, such as effort.

Hence, money is often different from other forms of capital such as physical and human capital, and unless it is used to purchase those forms of capital, it typically does not have the multiplier or productive effects of those other forms. It is also different in that it is typically more fungible than, say, material capital in machinery or human, social, or personal capital. Physical, human, social, and personal capital all have potential multiplier effects. The productive quality of such capital seems to fit uneasily with the goods that we consume as part of a single utility function.

Human capital differs from social and personal capital in a significant way. Human capital, such as education and training, is itself useful directly in the production of goods. Social and personal capital come in later at the point of converting the consumption of goods into welfare. Financial capital is embodied in money and other financial instruments, physical capital typically in machinery, and human capital in educated abilities and knowledge. In Coleman’s phrasing, social capital is “embodied in the relations among persons” (1990, 304). Indeed, he suggests it is dependent on iterated interactions, even perhaps iterated prisoners’ dilemma or exchange interactions (743). Becker’s vision is superficially similar. But because of the way social capital works in transforming the value of consumptions rather than in directly producing the goods that are consumed, he puts his social capital in the utility function. Hence, “the utility function at any moment depends not only on the different goods consumed but also on the stock of personal and social capital at that moment” (Becker 1996, 5). (He also includes personal capital in the utility function because it similarly works by affecting the level of benefit one gets from particular consumptions.)

These differences can be summarized by instantiating them. The (alas, paltry) bit of money in my pocket is an instance of financial capital. The computer on which I write is this obviously an instance of physical capital. The years I spent in education and the evenings I spent in the Becker-Coleman seminar at the University of Chicago contributed to my human capital (although they also provided many moments of immediate pleasure). My ongoing relations with colleagues and many others ground instances of interpersonal capital—or social capital in the sense of
Coleman, Putnam, and others. And the social influences of my peers, community, or reference group on my tastes are instances of my social capital in Becker's sense. What I have directly experienced that has affected my tastes for some consumption goods is an instance of personal capital. Taken together, most of these benefit me through the consumptions they enable me to enjoy, while Becker's personal and social capital affect me through their influence on how much I benefit from various consumptions.

All of these effects on consumption and its enjoyment not only interact with each other causally but also sometimes interact through my welfare and at cost to my interests. For example, I may indirectly gain great benefit from writing something (I must publish or perish) while also gaining great pleasure from it directly. Hence, keeping the separate categories of capital or the categories of capital, welfare, consumption, and interests completely separated analytically is often difficult or impossible.

If capital is viewed simply as a resource, as clearly financial capital is, then it does not belong in the utility function. It brings beneficial effects or welfare only after it is converted into, produces, or enhances goods that are consumed. Purely resource terms essentially represent future consumptions. Becker's social and personal capital cannot be resource terms in this sense because they do not convert into goods. Rather, they act on me to make my consumption of goods more (or less) rewarding. Putting financial capital into the utility function would constitute double counting, as though having the capital now and using it for consumptions to enhance my welfare later both added to my welfare. Putting social capital into the utility function does not have this flaw if its role there is the functional one of affecting the conversion of consumed goods into richer benefits. But the interpersonal capital of Coleman, Putnam, and others is essentially a resource. Hence, it cannot be put into Becker's extended utility function.

On an expansive reading of Coleman's general statement characterizing social capital (quoted at the outset of this essay), a well-functioning family structure, a system of norms to regulate cooperation and social interactions to the benefit of typical individuals, a working legal system for enforcing contracts, and a working language might all seem to be instances of social capital. In Coleman's actual discussions of instances of social capital, however, only the first two examples come up. Similarly in the work of Putnam and others, the focus is on interpersonal considerations grounded in informal networks of interaction. Hence, these scholars evidently do not count the more substantial institutional structures of government and large organizations as instances of their version of social capital, although these structures may contribute to its creation in other contexts. And the mastery of a native language may or may not be an instance of social capital for them, although having English rather than, say, Navajo as a native language is enormously more enabling for many purposes.

Yet institutions and language enable us in many ways. For example, the legal institutions that stand behind contracting enable us to enter into exchanges that would be prohibitively risky without legal enforcement of relevant obligations. We may call this institutional capital. It is very different from financial, physical, and human capital in that it does not directly produce goods or benefits. But it is like these insofar as it indirectly enables us to produce by protecting us against intrusions into our efforts and providing infrastructures that make production more efficient. Institutional capital is sometimes more nearly like social and personal capital in that it enables us to make the most of whatever goods we do produce and consume.

But it also differs from human, social, and personal capital in that it is largely outside us. The theorists of relational law and the new institutional economists might claim that the institutional capital in the legal system is far less than we might have thought because very much of what makes, say, contracts work is interpersonal capital.

The institutional capital in the government of the United States is enormously enabling to me. As far as I am concerned, however, it is essentially a matter of external luck that that government exists and governs over my territory. I may contribute slightly to the continued existence and power of that government and to its specific workings in particular contexts, much as I might contribute to the improvement of a machine I use in production. And of course, it would be hard finally to abstract that government from the inputs and supports of 260 million Americans. But the contribution of any one of us is too slight to make the government seem modally to be anything other than external to us.

Should Becker include such institutional capital in his extended utility function or exclude it? Its role is not so much to enhance the value of various consumptions once we have them, as social capital does, but actually to enable us to have them all. Hence, its role would seem to be external to the utility function as Becker sees it, along with financial, physical, and human capital. Its role in producing benefits is externally causal rather than functional in the sense that personal and social capital are functional within Becker's utility function. Along with financial, physical, human, and interpersonal capital, institutional capital therefore does not belong in the utility function. All of these work by affecting what consumptions are available. Hence, their effects are largely external to the actor. The effects of Becker's social and personal capital are more or less entirely within the actor. For example, your personal capital may enable you to enjoy an extravagantly expensive wine far more than mine allows me to do. And your social capital may enable you to get a great kick out of conforming especially well to your group's dress code while I get little or no special kick from the way I dress, even though I might spend far more on dress than you do. In both cases, the same external expenditure buys more internal benefit for you than for me.

In sum, various forms of capital, ranging from financial to social and personal capital, cross the distinctions between interests, consumptions, and welfare. Financial capital constitutes mere resources or interests. Physical and human capital produce or enhance the production of resources and consumptions. Interpersonal and institutional capital enable us more readily to produce consumptions. Becker's social and personal capital work on consumptions to produce welfare. The logics of these forms of capital are therefore quite varied.

**PROBLEMS IN THE NOTION OF PREFERENCE**

Discussions of preferences, utility, and welfare often range over several distinctions that undergird coherent arguments. I wish to consider two pairs of views on the nature of preferences. The two views in each pair are mutually exclusive, or at least potentially in conflict. To ask which of the views in either of the pairs is correct may or may not make sense, depending on what is meant by correct. But making claims that are grounded sometimes in one of these pairs and sometimes in the other, without carefully distinguishing these, often clearly does not make sense. The significance of these pairs for present purposes is in how they relate to Becker's utility functions that include social and personal capital as arguments and in how they help us to make sense of these.
Momentary Versus Lifetime Utility

Becker’s reason for including social and personal capital as arguments in the individual’s (extended) utility function is that doing so makes the utility function stable into the future even though levels of capital might change. Not including these capital terms makes utility functions unstable over time because what I prefer tomorrow might depend on what I consume or do today if that affects my capacities for enjoying various things tomorrow. Of course, although Becker’s utility functions do not change over time, levels of utility do change (Becker 1996, 5–6), as should follow from the fact that we may be able to produce and consume far more at one time than at another. Becker wants stable utility functions because they enable us to make reasonable predictions about behavior at future times from current utility functions.

If I put the individual’s social or personal capital in her utility function, we need not rewrite that function every time these change. Against this concern, note three classes of problems: exogenous reasons for changing utility functions, time-dependent variations in welfare from experiences and consumptions, and limited personal identification over time. The latter two classes of problems suggest the traditional concern with the discounting of future consumptions. Discounting futures in order to take uncertainties into consideration is not problematic. But Jon Elster characterizes a strong present orientation as “consistently irrational” (Elster 1979, 70), and Becker seems plausibly to agree (Becker 1996, 10–12, 48–49).

What I discuss here, however, is neither discounting to take account of uncertainties nor the pure discounting that troubles Elster and Becker. Rather, under “time dependence” I am concerned with the present enjoyment I derive from a past or future consumption. And under “limited identification with the self” I am concerned with the degree to which I even care about my future self.

Exogenous Changes First, unfortunately, utility functions may actually be unstable over time for reasons other than changes in capital. Some of these reasons are as orderly and predictable as any of Becker’s concerns with explanation from utility functions. For example, there are chemical changes that make an individual’s preferences change over time, and these changes may be reasonably predicted from the relevant biological theory. One change that has been mooted recently is in the chemicals that supposedly influence romantic love and its emotions. There is reputedly a cycle of these chemicals that commonly runs for about four years before their effect diminishes substantially or ceases altogether (Fisher 1992). Hence, the remarkable fact that many marriages seem to last after about four years might not reflect changing judgments of the other person or judgments of particularly irksome experiences of them, but merely biological changes that terminate the intensity of feelings for the other. If this is what is happening, then trying to explain this change as merely a straightforward endogenous preference change grounded in a stable utility function seems less satisfactory than explaining it chemically.

Still, one might agree with Becker that economic explanations of changing preferences in many contexts are more satisfactory and less ad hoc than such biological explanations or than various psychological and other explanations. In large part, they are more satisfactory because they work remarkably well. But biological and other explanations of changing preferences may trump economic accounts of some phenomena, as they surely do in many developmental or ethological accounts of behavior.

Time Dependence in Welfare Becker remarks that one’s utility at any time is “only a function of commodities produced at the same time, and not of any commodities produced in the past” (Becker 1996, 5). Contrary to this view, there may be some residue of the wonderfully enjoyable meal I accidentally ate at the Quilted Giraffe on Madison Avenue in June 1992. But if I had a choice today between having eaten that meal and finding the money it cost in the pocket of an old jacket, I would have a hard time supposing that the present residue of the enjoyment of that meal is worth the one hundred dollars that the meal cost. Was the then-present enjoyment of that meal worth that much at the time? Arguably, yes. If consumptions of the past enhance my welfare today, they do so because of this typically very slight—and increasingly slight as time passes—present residue of pleasure and because of other causal effects they may have had on my current consumptions and my enjoyment of these. In the latter case, for example, as a result of what I learned from experiencing that meal, I may receive greater pleasure from other meals today. That is, in Becker’s terms, some past consumptions contribute to my personal capital and thereby have a multiplier effect on my current efforts to achieve pleasure through fine food.

Of course, that 1992 experience might perversely also have reduced my welfare today by setting a standard that I cannot often afford and that reduces the pleasure I might otherwise have had in meals of a less extraordinary quality. For example, adults who have discovered Italian gelato or French dark chocolate may never again find much pleasure in ordinary American variants. In that case, I might wish I had different, cheaper preferences. But I do not act on that wish because my actual capital stocks constrain my choices and the utility I get from them no matter how much I may regret “the amount and kind of capital” I inherited form my past (Becker 1996, 21–22).

Similarly, of course, anticipation of future consumptions may greatly enhance my welfare today. For example, anticipation of the pleasures of being with someone or of taking a trip to Paris next week or next month—perhaps especially the pleasure of taking that trip with that someone—may be enormously enjoyable today. Contrariwise, anticipation of a future misery might reduce my pleasure in today’s consumptions.

We should include all of these effects in my present utility function because they all affect my present enjoyment. Including them with the present remembered or anticipated pleasures is not double counting them because the relevant consumptions are actually enjoyed now in addition to the moment in which the relevant goods are actually or directly consumed. If people differ with respect to their capacities for enjoying either remembered or anticipated pleasures, they should choose to experience more of their consumptions either sooner or later, respectively.

Limited Identification with the Self One might argue that Becker’s move to the extended form of the utility function that includes social capital as well as goods is a move to presentize future benefits that depend on such capital. This is analogous to the claim in contract theory that future actions are presented—that is, brought into the present—by a contract that requires future actions. If that is what the extended form of the utility function does, however, it runs against the problem of weak identification.
There is a huge literature on personal identity and its consistency over time. A more compelling issue is personal identification over time (Hardin 1988, 191-201). I may have relatively limited identification with the person who succeeds me in, say, 2003, or with the one who preceded me in 1958 or 1988. Suppose I do not identify at all with RH-1958. I may still be glad that RH-1958 had certain experiences that contributed to the character and capacities of RH-1998. Indeed, if my identification with past and future selves is weak, I must wonder whether I would even identify with RH-1998 if my experiences had been significantly other than what they were, because different experiences would have produced a different person in many respects. Still, in some vague sense I might wish RH-1958 had been better disciplined about learning to play the piano or that RH-1968 had studied economics. But as Becker says, RH-1998 is stuck with what those other RHs did: “We are all to some extent prisoners of experiences we wish we never had” (Becker 1996, 128). Our sunk costs are us (Hardin 1995, 69).

There may be a problem with the idea of a consistent utility function over a lifetime that is more nearly philosophical. Thomas Nagel (1970) argued that those who care about the enjoyment of their own future selves should as well worry about the present enjoyment of other people, to whom they are about as strongly attached and whose enjoyment they could at least as readily share. One could as forcefully argue the contrary, namely, that one should be no more concerned about one’s distant future enjoyment than about the present enjoyment of others. That is what weak personal identification would imply.

If I identify little or not at all with my moderately distant future self, then I make little or no investment in personal capital for that future self. Or at least, I do not deliberately make any, although I might have experiences that, for reasons of their present benefit, do contribute to my personal capital as an unintended consequence or by-product. If I have such weak identification, then my utility function should include only present and near-present consumptions, so that we would speak only of my immediate welfare. If I have strong identification with RH over time, then I must also be concerned with interests, resources, and capital that are proxies for welfare that is yet to come (Hardin 1988, 201). Whether I would then have an integrated utility function over time, a function that includes my personal and social capital, such as Becker wants, might still be an open question for other reasons. But if I have very limited identification, it would be odd to put my personal capital into my current utility function. One might think to qualify this claim with some such phrase as “except insofar as that capital gives me richer experiences now.” But insofar as it does, this utility function already captures everything it should without adding in and, therefore, double counting my capital.

It is not meaningless to speak of interests, or resources, on the weak identification view of a self, but there is little need to speak of them. We need not speak of them because all we want from them is present consumptions. We cannot, however, do without concern with interests on the strong identification view. We do not know enough about our plausible consumptions to bring them into a full evaluation. We therefore virtually require some such proxy notion as interests in order to bring future consumptions and their welfare into our utility function. Then we can trade off future consumptions against present consumptions through their similar effect on our interests (Hardin 1988, 200).

In sum, we surely do wish, as Becker does, to explain the changes that might be taken as evidence of changes in utility functions, but we might think they should often be explained by things that are not in the utility function or that are not matters of changes in social, personal, or other capital.

Instant Versus Reasoned Preferences

Often we have instant or gut-level preferences that are out of keeping with some seemingly more reasoned preference we may have. For example, F. Y. Edgeworth—with plausibly most others who have ever drunk it with pleasure—supposed that our preference for wine is a function of how much we have already had. My instant preference for wine at tonight’s party, with its tendency to substantial consumption, might, however, be one that I would prefer both ex ante not to act on and ex post not to have acted on. In some sense, then, I seem to have a reasoned preference that conflicts with my instant or gut-level preference. It is not necessary to get that sense right for present purposes so long as we grant that there is some issue at stake here. (Anyone who attempts to get it right is likely to founder on the thousands of pages written on the issue.)

There are many treatments of so-called meta-preferences, rational preferences, and so forth, both by philosophers and by quasi- and not so quasi-psychologists. All of these discussions of which I know are too simplistic to be finally compelling. For example, in the philosophical tradition, such preferences are often invoked in discussions of weakness of will. If my will were strong, presumably I would not drink too much, break my moral rules, fail to exercise, and on and on. Unfortunately, one might wonder just where or what the rational will is that it somehow gets the values right while the momentary person gets them wrong. In particular, one might suppose that the mind is a royal (or plebeian) mess that simply gets things differently in some parts than in others, and one might suppose further that there is no authoritative part of the mind that can rule on such matters (Hardin 1988, 193-97). Analytically, we may have no better claim to make than that my ex ante and ex post preferences can be out of line with my present preferences.

In part, the issues here are related to those of time dependence discussed earlier. At the gut level, I might prefer many consumptions now to having had them in the past or to having them in the future. I might have such a preference even though I might grant that I am better off at this moment from having had a pattern of experiences over many years, even decades. Indeed, it is those experiences that give me much of my present personal capital and that enable me to enjoy present experiences as much as I do. I might suppose this to be true even if I do not strongly identify with my past selves.

TRUST AND INTERPERSONAL CAPITAL

Institutional capital suggests the concern of the ancient Greek “Anonymous Iamblichus” (Gagarin and Woodruff 1995, 294), according to which: “The first result of lawfulness is trust, which greatly benefits all people and is among the greatest goods. The result of trust is that property has common benefits, so that even just a little property suffices, since it is circulated, whereas without this even a great amount does not suffice.” The context of the remark is a list of the benefits of lawfulness. Law (or gov-
interpersonal capital. To address this possibility, note that, more generally, Coleman, Putnam, and others include norms in what they call social capital and what I have here labeled interpersonal capital. Becker includes them in his social capital. Do norms work in such different ways as to fit them in some of their workings into Becker's notion and in some into the notion of interpersonal capital? For Becker, norms belong in social capital only to the extent that they affect one's valuations of one's consumption. For Putnam and others, they belong in interpersonal capital only to the extent that they facilitate cooperative activities at the interpersonal level. Note, oddly, that norms work on the individual in Becker's social capital but work on the interpersonal relationships—that is to say, on others—in interpersonal capital. For Coleman, Putnam, and others, one benefits from the norms that guide the behavior of others.

It seems likely that norms commonly do have both these functions, so that, in different ways, they belong in both Becker's social capital and in interpersonal capital. Norms, loosely defined, might make me shrink from doing many things, such as eating pork, and hence might radically affect my welfare from various consumptions, so that they fit as functional terms in Becker's extended utility function. They might also cause me to be a calculating Kantian, who cooperates only if enough others do in various endeavors, so that they contribute to the interpersonal capital of those in my milieu by facilitating our cooperation.

But what of trust as a norm? There clearly cannot be a sensible norm merely to trust, because far too many people would be utterly untrustworthy in various contexts in which trusting them would cause harm to the truster or others. There might be a norm to be trustworthy. If so, then cooperative endeavors would prosper more readily because trustworthiness would beget trust. This follows because your being trustworthy gives me incentive to trust you in some context in which doing so would lead to cooperation that would be beneficial to me. Hence, trustworthiness might be part of interpersonal capital. It is part of that capital not so much to the trustworthy person as to others who are enabled by it. Trust that is relatively blind, rather than grounded in the incentives of an ongoing relationship or in the normative trustworthiness of another, would enable others also. But it would enable them to take one-sided advantage of the gullibly trusting. Hence, trust is either a conceptual proxy for trustworthiness in the claims of Putnam and others, or it does not belong in interpersonal capital (see further, Hardin 1996).

This conclusion goes some way toward drawing the supposedly normative sting of their analyses because it could hardly come as news that trustworthiness is a good thing. (They should therefore be concerned with assessing declining trustworthiness rather than its resultant declining trust.) Moreover, on the encapsulated interest vision of trust, their interpersonal capital is predominantly to be seen as grounded in the rationality of maintaining a cooperative stance in ongoing relationships. This, of course, recommends the use of institutional capital as well as, probably to a limited extent, norms to secure cooperation at the interpersonal level.

CONCLUDING REMARKS

All of the forms of capital discussed here interact with each other, whether causally or functionally or both. The institutional capital represented by the American government is enormous in its impact on American and other lives and their welfare. (Indeed, a large part of the difference between, say, Russian and American
economics and social life turns on the differences in the quality of the two nations’ institutional capital.) The interpersonal capital that contributes to successful collective endeavors at lower levels might, through these lower-level activities and also perhaps directly, also be enormous in its impact on the workings of that government. The program of political scientists such as Putnam and others is to work out this particular causal role. To date they have given us some limited arguments for how interpersonal capital can causally affect institutional performance and capital. Certain forms of interpersonal capital enable individuals to perform their tasks within institutions better than they could do otherwise, and hence, to contribute to those institutions and the institutional capital that they represent.

Becker’s social capital affects my welfare through its impact on the beneficial effects on me of my consumptions, that is, on my valuations of my consumptions. He is surely right to suppose that this is an important phenomenon and a corrective to simplistic self-interest theorizing. Coleman is right that interpersonal capital is important for facilitating lower-level interactions. Oliver Williamson is right that institutional harnessing of interpersonal capital to work around hierarchical and legal constraints can be efficient. The relational lawyers are likely right that interpersonal capital often does much of the work of facilitating contracts. Because it can make particular forms more efficient and can help to overcome the inefficiencies of legal devices, then Fukuyama is likely right that interpersonal capital positively affects overall economic success. It would also be right, therefore, to suppose that interpersonal capital is important in making specific government agencies work more efficiently and effectively because of the way such capital is harnessed within the agencies.

But is it right that interpersonal capital is important for making democracy work? That it is important in this way is in essence the claim of Putnam and others. While the Colemanian argument seems to work for the other cases of facilitating cooperation, firm success, governmental agency success, and economic performance, there is as yet no argument that unTicks, in this microlevel way, the relationships between interpersonal capital and the general performance and responsiveness of democratic government. Perhaps getting the argument is to get the causal relations clearer will lead to insights into what the microlevel relationships are.

Suppose interpersonal capital does affect institutional success in the general way that Putnam and others suppose. Then there may be substantial feedback between it and institutional capital, which enhances the prospects of interpersonal cooperation. If so, then we might expect both political and economic development to have self-reinforcing qualities that, once started, allow them to take off suddenly. This would follow already from the argument of Williamson, the relational lawyers, and Fukuyama. And it would be reinforced still further if the arguments manqué of Putnam and others could be put into compelling form.

This seems roughly to be the story of the beginnings of the new regime of the United States under its Constitution of 1788. James Madison’s design of institutions under the Constitution and Alexander Hamilton’s monetary policies as secretary of the Treasury through the early years of the new government were the crucial moves in building institutions that could underwrite individual confidence in dealings with others across a very broad range of actors. Any given individual must have had many trustworthy partners for various undertakings, but the institutional devices of Madison and Hamilton greatly expanded the range of people with whom the typical individual engaged in the economy could deal. That those institutions were so beneficial may then have encouraged support for them.

Finally, note that all of these forms of capital are commonly invoked as enabling. Often, however, as Becker emphasizes, they are constraining; past “experiences, and the attitudes and behavior of others, frequently place more far-reaching constraints on choices than do mistakes and distortions in cognitive perceptions.” (1996, 22). They do so by contributing social capital that can detract from the benefits of various consumptions. Interpersonal and institutional capital can similarly get in our way. Widespread customs and even very local practices of personal networks can impose destructive norms on people, norms that have all of the structural qualities of interpersonal capital. Institutional capital can also wreak its destructive hold, as in the Eastern nations that are now trying to build new economies and political systems while partially still in the grip of old institutions.

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NOTES
1. James Coleman attributes the term to Glenn Loury (1977, 1987), but it was used even earlier in roughly the relevant sense by Jane Jacobs (1961, 138) and Lyda Hanifen (1916). I thank Robert Putnam for the latter reference.
2. A remarkably well educated colleague of mine at the University of Chicago once asked me how I could think of myself as a utilitarian, since that meant I was merely crudely self-interested. The even better educated Philo Fontiss dismisses utilitarianism as virtually the opposite: as beneficence run wild.
3. But see the discussion in the essay of views of past enjoyments and anticipations of future enjoyments.
4. This example is complex. Perhaps I have come to eat caviar despite my distaste for it because of the social pressure but now I actually like it very much. My present taste for it is therefore based on social pressure and on experience; it is a case of both social and personal capital.
5. Becker’s versions of social and personal capital give an analytical way to deal with so-called utility monsters and other cute stories in debates over fairness.
6. When I once devised the minimal pleasures of instant coffee in comparison to what I called the real thing, Joe Elster remarked that it was merely a different consumption. I have often since then wished that I could as successfully compartmentalize my enjoyments into more narrowly defined categories to rescue some of them from the low state they have for me.
7. The incentive might be trumped by other considerations, so that even the best of trusting relationships can fail when the stakes get high.
8. The Rabbi Joshua J. Hammerman (1998) notes that the Oreo cookie has now become kosher and that, in contemplating that middle Americanization of his diet, he begins "to understand that a faith community cannot live by food tabous alone." But he still has pork as a barrier to total assimilation.
9. This comment is made in a brief discussion of the large body of recent work on irrational aspects of choice behavior. Much of this work focuses on anomalies and gives fly and sometimes cute explanations of them.

REFERENCES


